

***SCHEDULE 74***  
***UNDERGROUND CONVERSIONS***  
***FOR GOVERNMENT ENTITIES***  
**A Briefing Book**



**Puget Sound Energy**  
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## **PREFACE**

Puget Sound Energy (PSE) is governed by rules and regulations established by the Washington Utilities and Transportation Commission (WUTC). Included in this regulatory setting is the WUTC's responsibility for setting PSE's rates and service obligations under PSE's electric and natural gas tariffs. Conversions of PSE's overhead electric distribution systems to comparable underground distribution systems are governed by PSE's Electric Tariff G.

Requests by cities, counties, and certain other governmental entities for underground conversion of PSE's overhead electric distribution electric systems are governed by Schedule 74 of the tariff. Approved by the WUTC in 2002, Schedule 74 established a specific process to be followed in the design and construction of underground conversion projects together with specific performance obligations for both PSE and government entities requesting conversions. This briefing book is intended as a guide for government entities in understanding Schedule 74 and the processes involved that culminate in the successful completion of an underground conversion project.

Throughout this document, the following abbreviations are used for brevity:

GE – Government Entity

PSE – Puget Sound Energy

MLM – Municipal Liaison Manager

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## **WHO IS PSE?**

Puget Sound Energy (PSE) is an investor-owned utility that provides natural gas and electrical service to residential, commercial and industrial customers throughout our eleven county service area. A map of our service area can be found in Appendix A of this briefing book. We are also a regulated utility. Some of the activities we undertake as a utility are regulated at the federal level by the Federal Energy Regulatory Commission ("FERC"). At the state level, PSE is regulated by the Washington Utilities and Transportation Commission ("WUTC"). Additionally, just like any other public or private entity, any given activity that we undertake may come under the purview of a variety of federal, state and local regulatory authorities.

As a regulated business, PSE is accustomed to working closely with governmental entities in a variety of contexts. We value these relationships and find that, in most cases, we share the common objective of serving the public interest. For PSE, this is not simply a matter of corporate policy; it is also a mandate. PSE is a "public service company" under the laws of the State of Washington, and we have public service obligations to our customers. These same laws also afford us certain rights and protections that make it possible for us to satisfy these obligations. If you have any questions about PSE, we encourage you to contact your area Municipal Liaison Manager or visit our web site at [www.pse.com](http://www.pse.com).

## **WHAT IS A TARIFF SCHEDULE?**

PSE is regulated by the Washington Utilities and Transportation Commission ("WUTC") and is required by state law to have tariffs on file with the WUTC governing our provision of electric and natural gas service to customers. Each tariff contains the rules regarding services we provide and rates we charge for these services. In PSE's electric tariff the rules are contained in Schedule 80 "General Rules and Provisions." Rules apply to all tariff rate schedules and reflect subjects including definitions, provision of service, and obligations of customers and PSE.

Within our Electric Tariff G, rate schedules describe customer eligibility for different types of electric service and state the rates charged for service under each schedule. Rate schedules also contain conditions and provisions that relate to customers taking service under a given schedule. All of PSE's current tariff rate schedules together with proposed tariff schedule changes are available at our web site [www.pse.com](http://www.pse.com). On the home page, point to "Inside PSE" and click on "Rate & Regulatory Information."

## **TARIFF SCHEDULES FOR UNDERGROND CONVERSIONS**

Conversion of PSE's electric distribution facilities from an overhead system to an underground system is accomplished under the terms of PSE's Electric Tariff G Rate Schedules 73 and 74 on file with the WUTC. Availability (application) of these two schedules is determined largely by the nature of person or entity requesting an underground conversion. As a general statement, underground conversions requested by a city or county (and some similar government entities) will be performed under Schedule 74, while conversion for all other requesters will be performed under Schedule 73. This briefing book addresses underground conversions under Schedule 74.

Cities and counties should also be familiar with state law governing underground conversion of electric and communications facilities. Underground conversion in cities is addressed in RCW 35.96 and in counties in RCW 36.88.410 through 36.88.480.

## **WHAT IS & IS NOT A SCHEDULE 74 UNDERGROUND CONVERSION**

Schedule 74 establishes the rules for converting PSE's existing overhead electric distribution systems operating at 15,000 volts (15kV) or less to an equivalent underground system when requested by a Government Entity ("GE"). PSE facilities that operate at voltages higher than 15,000 volts – including electric transmission lines – and PSE owned fiber optic lines are not eligible for conversion under Schedule 74. Contact your local Municipal Liaison Manager ("MLM") to discuss available options for undergrounding facilities not eligible under Schedule 74.

## **CONVERSIONS & PSE'S MUNICIPAL PROJECT REVIEW PROCESS**

Underground conversions of PSE electric facilities are typically requested by GEs in conjunction with public rights-of-way improvements. Conversion of utilities facilities may be only one of a number of PSE-related impacts within the improvement project limits. Electric transmission facilities as well as natural gas transmission, distribution and service pipelines may also be impacted. Early coordination between the GE and PSE is essential to ensure adequate planning, design and constructability of new, adjusted or relocated utility facilities. Contact your local MLM or Municipal Construction Planner ("MCP") for more information on utility coordination within public rights-of-ways and ask for a copy of PSE's pamphlet "*Working with Puget Sound Energy in or Adjacent to Public Rights-of-Way*".

## **WHO'S INVOLVED AT PSE**

A number of departments within PSE get involved in performance of Schedule 74 underground conversion projects. Representatives from PSE's Community Service Department – your local MLM & MCP, System Planning, Real Estate and Contract Management departments all play key roles in the development, management, design, construction and closeout of conversion projects. Representatives from our electric transmission, communications and natural gas groups may be involved to coordinate related work in the conversion project area. Our Service Provider Quanta/Potelco will perform conversion project design, engineering, construction and project management. The MLM and later our Service Provider Project Manager will be your primary contacts for the conversion project, while specific issues such as operating rights may be handled directly by relevant department contacts. PSE will provide a contact list for the PSE project team working with you on your conversion project.

## **SCHEDULE & AGREEMENTS**

The next three sections of this document will provide you with basic information about the contents of Schedule 74 itself and the processes and obligations set forth in the design and construction agreements, Attachments A and B to the schedule. Copies of the Schedule and Agreements are provided in Appendix C of this briefing book. A consolidated summary of Government Entity and PSE responsibilities in performing conversion projects is provided in Appendix F.

## **SCHEDULE 74**

PSE's Electric Tariff G Rate Schedule 74 covers these key topics:

Section 1. Availability

Section 2. Agreement Provisions

Section 3. Installation and Operating Rights

Section 4. General

Section 5. Use By Other Utilities of Trenches Provided by Government Entity

Section 6. Cancellation

Section 7. Street Lighting

Section 8. Underground Service Lines

Section 9. General Rules and Provisions

Section 10. Definitions

The following paragraphs provide a summary explanation of each of these schedule topics.

### **1. Schedule 74 Availability**

A key aspect of the schedule is the conditions that must be met to qualify for service under the schedule. The Availability section effectively states that at the request of a Government Entity ("GE"), PSE will convert existing overhead electric distribution systems operating at 15,000 volts (15kV) or less (the majority of our electric distribution systems) to underground when the following three conditions are met:

- a) The GE and PSE sign a Design Agreement and subsequently a Construction Agreement;
- b) The GE has granted PSE a franchise or some other mutually agreed upon grant of rights providing for PSE's use of the GE's public rights-of-way ("Public Thoroughfare"); and
- c) All customers (whether new or existing) within the limits of the conversion project area ("Conversion Area") will be served by underground service lines upon completion of the conversion project.

## **2. Agreement Provisions**

Schedule 74 requires use of specified written agreements governing performance of the conversion project. The schedule states that conversions shall be performed subject to terms and conditions a Design Agreement and a Construction Agreement, which have been incorporated into Schedule 74 by reference (as Attachments A and B). This section also establishes the three important provisions of the schedule described below:

- a) The Design Agreement and Construction Agreement will provide for the following cost allocations and obligations:
  - 1) The GE pays 40% of the Cost of Conversion (defined by the schedule) and PSE pays the remaining 60%. Note that the Cost of Conversion excludes costs of surveying, trenching and restoration for the conversion project (see 5) below);
  - 2) The GE pays 100% of the Cost of Conversion of any facilities located outside of Public Thoroughfare or other non franchise right and compensates PSE for the discontinuance or loss of use of any private rights previous owned or use by PSE (the value of the property right) for its facilities;
  - 3) The GE pays 100% of the costs of cancellation and costs to install and remove facilities for Temporary Service (defined by the schedule), less salvage value, if any;
  - 4) PSE pays 100% of the costs for any private rights PSE acquires for the conversion project; and
  - 5) The GE performs and pays 100% of the costs for all trenching, restoration and surveying for the conversion project.
- b) The GE has the option to install PSE's ducts and vaults to PSE's plans and specifications pursuant to the Design Agreement and the Construction Agreement. Duct and vault installation costs are typically allocated as described in paragraph a)1) above. Duct and vault materials are provided by PSE.
- c) When the GE is a municipality, the GE must notify customers in the Conversion Area of the requirement to underground their service lines pursuant to the requirements of RCW 35.96.050. Although not required by the schedule, RCW 36.88.450 places a similar obligation on counties. Copies of RCW 35.96.050 and 36.88.450 are provided in Appendix I.

We will discuss these agreements in greater detail in subsequent sections of this briefing book.



### **3. Installation And Operating Rights**

Schedule 74 provides a process for determining where the underground electric distribution system facilities (the “Underground Distribution System”) will be installed. The schedule includes a fundamental expectation that the Underground Distribution System will be installed within Public Thoroughfare whenever possible subject to the following conditions:

- a) PSE will place the Underground Distribution System facilities in the Public Thoroughfare by franchise when space sufficient for the safe and efficient installation, operation, repair and maintenance of the facilities is available therein. If PSE and the GE agree that sufficient space is not or will not be available, the GE will acquire sufficient space as Public Thoroughfare (or other mutually agreeable right) for the installation of PSE’s facilities. The cost of space so acquired for PSE's use is allocated as a shared cost.
- b) If PSE and the GE do not agree that sufficient space is or will be available under a) above, then PSE will place its facilities outside of Public Thoroughfare using rights acquired by PSE at its expense.

In addition, this section of the schedule addresses cost responsibility for future relocation of the converted facilities:

- c) Relocation of converted facilities required by a GE within five years of conversion (the date the Underground Distribution System is placed in service) shall be at GE expense (thereafter in accordance with an effective franchise or other grant of rights).
- d) The GE shall require third parties causing relocation of converted facilities within five years of conversion to bear the expense of such relocation (thereafter in accordance with an effective franchise or other grant of rights).

Though not stated in the schedule, converted facilities placed in private rights are not subject to any relocation obligation.

### **4. General**

This section of the schedule discusses a collection of various items important to the conversion process:

- a) Timing: PSE will respond within ten business days of receipt of a GE's written notice that the GE wants a conversion. This will be discussed more fully in the next section of this briefing book.
- b) Ownership of Facilities: PSE will own, operate and maintain all of the converted facilities.
- c) Prior Contracts: Schedule 74 shall not apply to nor affect facilities operating above 15kV.

- d) Temporary Service: Temporary overhead service to customers shall not exceed 18 months from the date that the underground system is available (in operation) unless otherwise agreed by PSE. In the event temporary service is not removed within this timeframe, the GE is required to order disconnection and removal of the temporary service. Otherwise, the GE shall be obligated to pay either (i) 100% of the Cost of Conversion, or (ii) 100% of the costs to convert the temporary service facilities to underground, as the GE may elect.

## **5. Use By Other Utilities Of Trenches Provided By The GE**

So long as it will not interfere with PSE's installation, operation and maintenance of its facilities, the GE may allow shared use of trenches by other utilities. The GE is responsible for coordination of trench use by other utilities.

## **6. Cancellation**

In the event the GE cancels or indefinitely suspends the conversion project, the GE will pay all costs incurred by PSE as provided by the termination provisions in the Design and Construction Agreements.

## **7. Street Lighting**

Replacement of existing street lighting and any new street lighting proposed within the Conversion Area will be arranged separately as provided by PSE's lighting schedules. Your local MLM can assist you in contacting PSE's street and area lighting department, *IntoLight*, for more information.

## **8. Underground Service Lines**

All underground service lines shall be installed, owned and maintained as provided by the applicable schedule in PSE's Electric Tariff G.

## **9. General Rules and Provisions**

Service under Schedule 74 is subject to the General Rules and Provisions contained in PSE Schedule 80 available at our web site [www.pse.com](http://www.pse.com) or from your local MLM.

## **10. Definitions**

This section defines a number of terms used in the schedule and the accompanying agreements. Additional terms are defined and used within the agreements. These definitions are reprinted in Appendix B.

## **DESIGN AGREEMENT & PROCESS**

As previously mentioned, Schedule 74 states that the Design Agreement and the Construction Agreement must be consistent with the schedule. The schedule also established that these agreements will be “substantially in the forms...” of those attached to the schedule identified as Attachment “A” – Design Agreement and Attachment “B” – Construction Agreement.

In this section we will discuss the Design Agreement and process that it outlines. To help provide you with a general understanding of the process, Figure 1 below summarizes the basic steps described in the agreement:

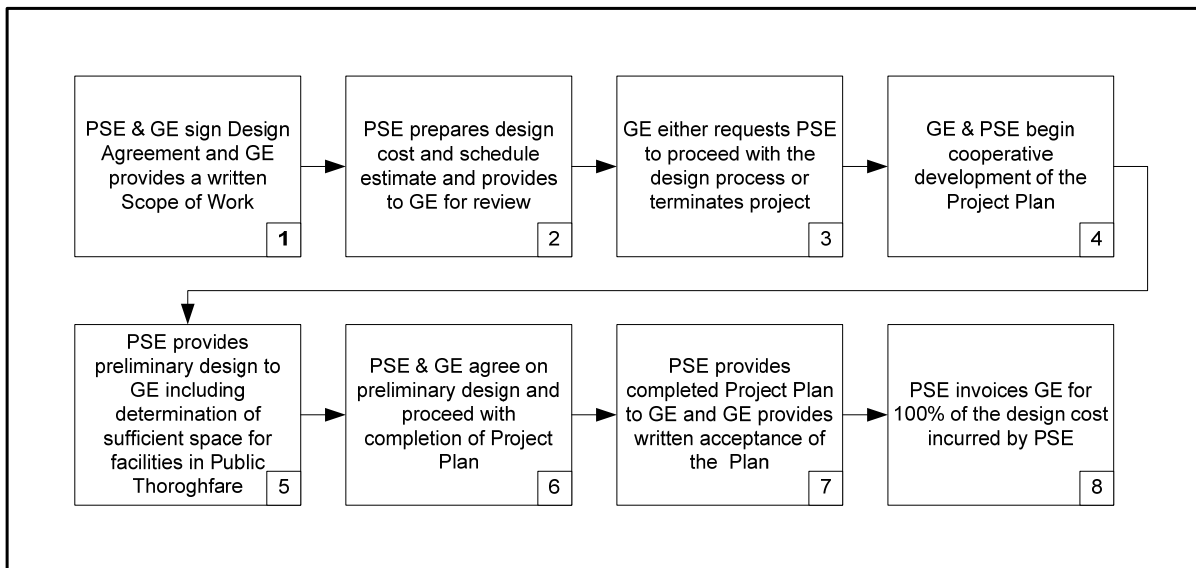


Figure 1. General Design Agreement Process Flow

### **Step 1.**

The GE formally initiates a Schedule 74 underground conversion project with PSE by signing a Design Agreement. The agreement describes the steps that must occur in completing the design phase of the conversion project. Within ten (10) business days after signing a Design Agreement the GE must provide a written scope of work for the conversion project (“Scope of Work”) to PSE. The Scope of Work must provide four essential items for PSE to begin the design process:

- a) A reasonably detailed description of the facilities the GE would like converted to underground (the “Conversion Project”).
- b) A list of key milestone dates for the Conversion Project.
- c) Reasonably detailed drawings showing planned improvements, existing and proposed public rights-of-way and existing utilities (including PSE’s) to the extent this

information is available. The drawings should be annotated to show the limits of the requested Conversion Area.

- d) A statement of GE desire to install the ducts and vaults for the Conversion Project. This statement should take into consideration whether project schedule, coordination and/or cost advantages can be realized by GE performance of this work.

To help in understanding what an adequate Scope of Work document could look like, a template and example has been provided in Appendix D.

## **Step 2**

Within ten business days from PSE's receipt from the GE of an adequate Scope of Work, PSE has the obligation to provide to the GE a cost estimate and proposed schedule for completion of the work necessary to design the underground distribution system and prepare a Project Plan (the Design Work). PSE and its service provider will assess the size and scope of the requested conversion, complexity of the existing overhead electric infrastructure, existing and future (if any) configuration of the GE's public rights-of-way (Public Thoroughfare) and the desired completion date for the conversion project. There may be situations in which additional clarifying information will be necessary from the GE to adequately develop the required design cost estimate and schedule. In these situations it is important to recognize that the ten business-day commitment date may be adjusted based on actual receipt of the additional information.

Following this assessment, PSE will provide a written response to the GE consisting of:

- a) Confirmation or adjustment of the GE's desired Scope of Work;
- b) General assumptions used by PSE in developing the design cost estimate and schedule;
- c) A reasonably detailed cost estimate for performance of the Design Work (typically provided as a spreadsheet, itemizing various cost components, including PSE labor, service provider labor and overheads). An example of the estimate spreadsheet can be seen in Appendix H; and
- d) A proposed schedule for the performance the Design Work (typically provided as the number of business days necessary to complete the Design Work after receiving notice to proceed from the GE).

Once the GE has reviewed PSE's submission, the parties will discuss and revise the materials as may be necessary to determine the final Scope of Work, Design Cost Estimate and Design Schedule. This discussion and determination can happen in a meeting or through other means.

### **Step 3**

At this stage the GE will have a decision to make. If the GE agrees with the final Scope of Work, Design Cost Estimate and Design Schedule, the GE will provide PSE with a written notice authorizing PSE to commence the design process, (“Notice to Proceed”) and will move on to Step 4. If, on the other hand, the GE decides that it does not want to proceed with the Design Work, the GE must provide PSE written notice terminating the Design Agreement. If the GE terminates the Design Agreement, the GE will not be responsible for any costs incurred by PSE prior to the agreement termination. However, if the GE cancels the conversion project after authorizing PSE to proceed, then the GE will be obligated under the Design Agreement to reimburse PSE for all costs incurred by PSE as of the date PSE receives the GE’s notice of termination.

### **Steps 4 - 7**

If the GE authorizes PSE to proceed with the Design, PSE will commence engineering and design activities. This process will include efforts such as identifying conduit and cable configurations and determining location of facilities (conduits, vaults, transformers and switches). Once the preliminary layout of the facilities is determined, an assessment is made as to whether sufficient space is available in public rights-of-way to locate all of the required equipment (sometimes referred to as the “Fit-No Fit” determination). When this work is completed, typically about one-third of the way into the Design Schedule, PSE will provide to the GE a copy of the preliminary design drawings and will identify locations, if any, where additional space will be needed to meet the installation and operating needs of PSE’s facilities. The most common areas where additional space may be necessary are in conjunction with the placement of the pad-mounted transformers and switches. Installation of these facilities must provide for safe operation and maintenance of the facilities. Although this information can be transmitted without a meeting, it has proven valuable for the GE and PSE to review this information together to ensure adequate understanding of why the facilities were designed in the manner that they were and why PSE believes there is or is not sufficient space in the right-of-way.

Following review and consideration of this information the GE will formally respond to PSE indicating its acceptance of the preliminary design and the need for additional right-of-way space (if any). Following acceptance of the preliminary design, PSE will proceed with final design of the underground distribution system and will develop a draft Project Plan, consistent with the Design Schedule. The Project Plan is the formal collection of documents that represent PSE’s plan for construction of the Conversion Project. The components that make up this plan are:

- a) A description of the work to be performed by all parties in conjunction with construction of the Conversion Project;
- b) Project drawings and specifications necessary for construction of the Conversion Project;

- c) Confirmation and description of any operating rights to be acquired by either party;
- d) An estimate of construction costs to be borne by the GE and by PSE (including eligible costs expected to be incurred by the GE); and
- e) The schedule for completing the Conversion Project

An additional item typically included with the Project Plan but not specifically recognized in the Design Agreement is the list of assumptions used to establish the construction cost estimate and the construction schedule. These assumptions help to convey a clear understanding as to the conditions under which PSE expects to perform Conversion Project construction. By doing so, changes to these conditions that affect the cost and/or schedule can be easily identified and agreed upon by both parties.

PSE will submit the draft Project Plan to the GE for review. PSE has developed a consistent format for presenting a Project Plan to the GE that is reflected in an example located in Appendix E of this briefing book. The GE should review the Project Plan for consistency with the Scope of Work and propose any desired changes to the plan to PSE. PSE will amend the plan as may be appropriate and mutually agreeable. After any changes to the plan have been agreed to, both parties formally accept the Project Plan by signing and dating the document.

It is important to note that the Design Work including development of the Project Plan can be months in the making, requiring considerable coordination between the GE and PSE along the way. In some cases the GE may request a change in the Scope of Work that necessitates a change in the Design Schedule and/or the Design Cost Estimate. If this situation arises, a change order will be initiated to reflect the associated change in the scope, schedule and cost of the project design.

### **Step 8**

Acceptance of the Project Plan by PSE and the Government Entity effectively completes the Design Work and ends the design phase of the Conversion Project. It is at this time that PSE will, as provided in the Design Agreement, bill the Government Entity for PSE's costs incurred in the performance of the Design Work. A more detailed discussion of the billing process is included later in this briefing book.

## CONSTRUCTION AGREEMENT & PROCESS

Once a final Project Plan has been accepted by the GE and PSE, the parties can proceed to the construction phase of the Conversion Project. The construction phase commences with the parties signing a Construction Agreement as provide in Attachment B to Schedule 74. Note that the Project Plan will be attached as Exhibit A to the Construction Agreement.

In this section we will provide an overview of the Construction Agreement and discuss performance of the Conversion Project under the agreement. To help provide you with a general understanding of the construction phase, Figure 2 below summarizes the basic steps of this process:

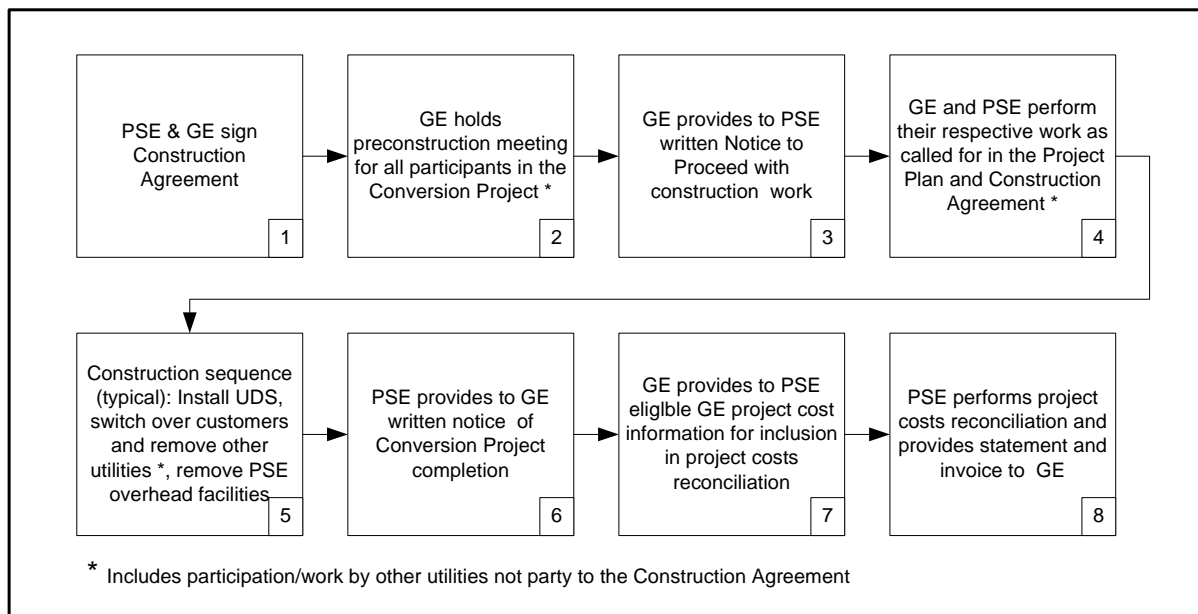


Figure 2. Typical Construction Agreement Process Flow

### Step 1

The construction phase for the Conversion Project formally commences with the GE and PSE signing a Construction Agreement. The agreement describes the terms and conditions under which the construction work is to be performed and the respective obligations of the parties. In addition to the Construction Agreement the parties will look to the Project Plan for the details of how construction for the Conversion Project is to be performed, including specific responsibilities of the parties and the construction schedule. Note that in some cases specific preparatory work may need to be performed by the parties as provided in the Project Plan prior to the execution of the Construction Agreement. Example of such preparatory work include acquisition of necessary operating rights, coordination with other utilities, ordering of any long lead time materials and coordination of specific construction schedule milestone with the GE's contractor.

### **Steps 2 & 3**

Following execution of the Construction Agreement, the GE will hold a preconstruction meeting to be attended by the GE and its contractor(s), PSE and its service provider, other utilities and other entities which will be involved in construction for the Conversion Project. The preconstruction meeting should be timed to allow development of a specific schedule for the various elements of Conversion Project construction (installation of ducts and vaults, installation of underground distribution system facilities, installation of underground service lines and customer transfers to the underground distribution system and removal of the existing overhead facilities) and should be held at least ten business days prior to the scheduled start of construction work for the Conversion Project. In addition to the holding of the preconstruction meeting, the GE must provide to PSE written Notice to Proceed with Conversion Project construction work at least ten business days prior to the scheduled construction work start date. This notice is intended to allow sufficient time for materials delivery to the project site and mobilization of required PSE Service Provider construction resources.

### **Steps 4 & 5**

Following receipt of Notice to Proceed and consistent with the Project Plan, the parties will commence performance of their respective obligations. For the GE these obligations typically include:

- a) acquisition of any required operating rights for the installation of PSE's facilities;
- b) surveying, traffic control, trenching, excavation, backfill and surface restoration for installation of PSE's ducts and vaults;
- c) coordination with other utilities performing work associated with the Conversion Project; and
- d) provision of notification to and coordination with customers concerning the installation and connection of underground service lines within the Conversion Project area. Optionally, the Project Plan may call for the GE to perform installation of PSE's ducts and vaults for the Conversion Project using materials provided by PSE.

Obligations typically performed by PSE include:

- a) installation of ducts and vaults (if not performed by the GE) or alternatively, provision of inspection for such installations performed by the GE;
- b) installation of all electrical facilities for the underground distributions system (including traffic control not otherwise provided by the GE);
- c) disconnection and removal of PSE owned overhead service lines;



- d) transfer of customers from the overhead distribution system and connection to the underground distribution system (including installation of certain underground service lines, see below); and
- e) removal of PSE's overhead distribution facilities, including utility poles owned by PSE (note that some poles may be owned by utilities other than PSE). PSE will coordinate its construction work with the GE's contractor.

Customers have obligations to perform as well. All customers within the Conversion Area having overhead service lines must make their premises ready for service using underground service lines. Additionally, all non-residential customers (including multi-family residential customers) must provide and install suitable underground service lines (PSE provides and installs underground service lines to single family residences). This may require the hiring of a qualified electrical contractor. PSE will provide information for customers installing underground service lines concerning the point of connection to PSE's underground distribution system. The GE may choose to take on parts or all of this work on behalf of customers.

Conversion Project construction must generally be performed in certain sequence. First the underground distribution system is installed, tested and connected to the existing distribution system within the Conversion Area. In some cases this may require reconfiguring portions of the existing overhead distribution system both within and external to the Conversion Area. Next, existing customers must be disconnected from the overhead distribution system and be connected to the Underground Distribution System. Often the timing of these transfers is dependent on the installation of new underground service lines by customers. Once all customers are transferred to the underground distribution system, PSE will remove its existing overhead facilities. Note that in many cases other tenant utility overhead lines must be removed by the respective utilities before PSE can remove its poles (generally PSE is not authorized to remove facilities, including poles, belonging to other utilities). PSE will provide notice to tenant utilities to vacate PSE's poles.

### **Steps 6 & 7**

Once all Conversion Project construction work is complete, PSE will provide written notice of completion to the GE along with a request that the GE provide to PSE written documentation of any costs incurred by the GE which are eligible under the Schedule and Agreements for cost sharing by PSE. Eligible costs generally include costs incurred by the GE for acquisition of operating rights used for the Conversion Project, costs for installation of ducts and vaults performed by the GE and costs, if any, for work otherwise performed by the GE for which PSE is responsible (such as additional work not related to the Conversion Project). The GE should provide documentation of such eligible costs to PSE within sixty business days following receipt of PSE's notice.

## **Step 8**

After receiving any cost information from the GE, PSE will perform a final reconciliation of all actual project design and construction costs incurred by the parties in the performance of the Conversion Project. PSE will allocate costs between the parties in accordance with the Schedule and the Design and Construction Agreements. Typically the reconciliation will result in a net amount payable to PSE by the GE. PSE will provide the GE an statement of these costs, the final reconciliation and an invoice for any amount payable by the GE. A more detailed discussion of the billing process is provided next in this briefing book.

## **COST ALLOCATION & THE BILLING PROCESS**

Together Schedule 74, the Design and the Construction Agreements provide for the allocation of project costs between PSE and the GE. Section 2.b of the Schedule (discussed earlier in this briefing book) sets out the primary allocation of project costs. Project costs are further allocated, invoiced and paid in accordance with the Design Agreement and Construction Agreement. This section provides an overview of the billing process used for Schedule 74 conversion projects. Questions concerning costs allocation and billing should be addressed to the MLM.

### **Design Costs Under the Design Agreement**

The Design Agreement provides for the conduct by the parties of the Design Work. Section 14 of the Design Agreement provides that upon completion of the Design Work, the GE shall pay to PSE all actual, reasonable costs incurred by PSE to perform the Design Work. Section 14 also provides that, so long as the Conversion Project is constructed within five years of the signing of the Design Agreement, such costs shall be designated a shared Cost of Conversion allocated between the parties. Any payment made by the GE to PSE for the Design Work will be credited toward payment of the GE's final allocation of Conversion Project costs.

As provided in Section 15, PSE will invoice the GE for the Design Work costs incurred by PSE within sixty business days following completion of the Design Work. PSE's invoice will itemize costs listing separately inspection, labor, materials, equipment and overheads. Upon receipt, the GE has ten days business days to verify the invoice or request additional information from PSE. Payment of the invoice is due to PSE within thirty days after receipt.

PSE's MLM will provide the invoice for the Design Work to the GE. PSE uses a standard form Design Cost Statement Summary sheet to provide the itemized breakdown of Design Work costs. The Statement Summary sheet is accompanied by a standard PSE billing statement (invoice) to facilitate transmittal and crediting of the GE's payment. Examples of these forms are provided in Appendix H to this briefing book.

### **Final Reconciliation of all Project Costs Under the Construction Agreement**

Section 1 of the Construction Agreement provides specific distinction of project costs with respect to allocation of these costs between the parties (refer to the definitions in Section 1). Section 7 of the Construction Agreement provides for final allocation of all project costs, final reconciliation of project costs and any payments made and for final project invoicing. Typically the GE will owe a net balance due, but occasionally PSE may be the owing party. In any event, PSE will perform the final reconciliation and payment determination in cooperation with the GE in accordance with Section 7 which lays out in detail the allocation of project costs and reconciliation process to be used, as summarized here.

Upon completion of all Conversion Project work, PSE will provide written notice thereof to the GE. Thereafter, the GE will have sixty business days to provide to PSE an itemized statement of costs incurred by the GE that it believes should be included in the final reconciliation. Upon acceptance of any such costs, PSE will have thirty business days to perform the final reconciliation and invoice the GE for any payment due. PSE's statement will list separately costs for Design Work and Construction Work. Construction costs shall be listed separately by inspection, labor, materials, equipment and overheads. The statement shall allocate all costs between the parties; credit of any shared costs incurred and/or prior payments made by the GE towards the project costs allocated to the GE and shall provide a Net Amount Due by one party to the other. Within thirty business days after the GE's receipt of PSE statement, the owing party shall pay the Net Amount Due to the other party.

The local MLM will provide the PSE statement to the GE. PSE uses a standard form Construction Cost Statement Summary sheet to provide the itemized breakdown of construction costs and a Project Costs Statement Summary sheet to provide a summary of all costs and prior payments and the calculation of the Net Amount due. These Statement Summary sheets are accompanied by a standard PSE billing statement (invoice) to facilitate transmittal and crediting of the GE's payment unless PSE is the owing party, in which case the Statement Summaries will be accompanied by PSE's check for the Net Amount due. Examples of these forms are provided in Appendix H to this briefing book.

## **CUSTOMER RESPONSIBILITIES – SERVICE LINES**

As required by the Schedule and state law, existing overhead service lines must be removed and replaced with underground service lines. All customers with overhead service lines must make their premises ready for service using underground service lines, including modification of customer owned electrical facilities and must request underground service from PSE. Residential customers (single family homes) must provide trenching, restoration and conduit under obstructions between structure (meter box) and Underground Distribution System connection point (PSE installs, owns and maintains Underground Service Line). All other customers must install customer owned and maintained underground service line(s) between the structure and the Underground Distribution System connection point. Customers typically will need to hire a qualified electrical contractor to perform the some or all of this work. A more detailed discussion of customer responsibilities is provided in Appendix G.

## **UNDERGROUNDING OF OTHER UTILITIES**

Other utilities (telephone, cable, fiber, etc) attached to PSE's existing poles are not governed by PSE's Schedule 74 and need to be addressed by the GE. PSE will not retain poles in the conversion project area nor transfer ownership of PSE poles to other utilities without written GE consent.

## **WANT TO LEARN MORE?**

Hopefully the information contained in this briefing book has been helpful in understanding PSE's Schedule 74 and its associated processes. If you have questions concerning the material in this briefing book or you would like to talk with PSE about doing a Conversion Project, please contact you local MLM.